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October 30, 2012

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Mr. Bryant Firman  
Massachusetts Department of Environmental Protection  
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**Delivery: By Email with FedEx to Follow**

**Subject: GenOn Kendall, LLC  
USEPA Region 1 DOCKET NO. 11-005  
MassDEP File No. UAO-BO-11-1N001  
NPDES Permit No. MA0004898  
Quarterly Progress Report (Q2 2012)**

Dear Mr. Harding and Mr. Firman:

GenOn Kendall, LLC ("GenOn" or the "Company") is submitting this quarterly progress report in accordance with Paragraph 4 of Section V of the Administrative Order for Compliance issued by the United States Environmental Protection Agency ("USEPA") Region 1 on January 31, 2011 (the "USEPA Order") and Paragraph 4 of Section V of the Unilateral Administrative Order issued by the Massachusetts Department of Environmental Protection ("MassDEP") on the same day (the "MassDEP Order"). The USEPA Order and the MassDEP Order are collectively referred to herein as the "Orders" and relate to the implementation of actions at the Kendall Cogeneration Station ("Kendall") in order to achieve compliance with the National Pollutant Discharge Elimination System ("NPDES") Permit issued on December 17, 2010. This quarterly progress report covers the time period from July 1, 2012 through September 30, 2012 (the "Reporting Period").

A. Activities undertaken during the Reporting Period to achieve compliance with the Orders.

Section V. Paragraph 4.a of the USEPA Order and of the MassDEP Order state that quarterly compliance reports submitted by GenOn shall "[d]escribe the activities undertaken during the reporting period directed at achieving compliance with th[e Orders]." Section B below, which also responds to Section V. Paragraph 4.c. of the USEPA Order and of the MassDEP Order, provides a detailed description of the actions taken by GenOn during the Reporting Period to achieve compliance with the Orders.

B. Report on compliance with Paragraphs 1, 2 and 3 of Section IV. of the USEPA Order and Paragraphs 1, 2, and 3 of Section V. of the MassDEP Order.

1. Section IV. Paragraph 1 of the USEPA Order and Section V. Paragraph 1 of the MassDEP Order

Below is a summary of the status of GenOn's compliance with the obligations set forth in each of the subsections of Paragraph 1:

a. *At all times, cooperate with Trigen in Trigen's design, permitting and construction of the Steam Line.*

Prior to, and continuing through the Reporting Period, GenOn maintained regular contact with Veolia Energy Boston, Inc. ("Veolia" or "Trigen")<sup>1</sup> regarding Veolia's design and permitting efforts for the Steam Line. As described in the previous quarterly report, Veolia notified GenOn in December of 2011 that it would proceed with an alternate route (hereinafter, "Craigie Dam Route") for the Steam Line and would not pursue the route expressly contemplated in the Orders (hereinafter, "Longfellow Route"). By letter dated December 16, 2011, GenOn notified USEPA and MassDEP of Veolia's decision to change the route for the Steam Line. That letter also indicated that GenOn would "contact the USEPA and MassDEP regarding the next steps, including suggestions regarding any necessary or appropriate modifications to the Orders to reflect this steam pipeline routing change" (December 16, 2011 Letter to Harding/Firman at 1.)

During the Reporting Period, GenOn, USEPA and MassDEP had extensive discussions regarding what modifications each entity believed were necessary and appropriate. On September 6, 2012, USEPA issued a letter to GenOn which revised USEPA's Order in three respects: updated the definition of "Steam Line" to reflect the Craigie Dam Route, updated the definition of "Trigen" to reflect its new owner's name (Veolia Energy Boston, Inc.) and altered the conditions precedent for GenOn's obligation to issue Notices to Proceed to equipment vendors for the back pressure steam turbine ("BPST") and air cooled condensers ("ACC")(collectively, the "GenOn Project"). On September 7, 2012, MassDEP issued a draft Amendment to Unilateral Administrative Order which reflected the same three revisions to the MassDEP Order.

Also during the Reporting Period, GenOn personnel had periodic meetings with Veolia personnel by phone and in person to discuss the status of Veolia's permitting efforts, including additional changes in Veolia's proposed steam pipeline route. GenOn also coordinated and participated in the first of what is expected to be monthly telephone conferences with Veolia, USEPA and MassDEP during which Veolia has been asked to provide updates on the progress of its Steam Line permitting and construction efforts. According to Veolia, as of the end of the Reporting Period, they had received key permits from the Massachusetts Department of Transportation and the Massachusetts Department of Conservation and Recreation for the initial phase of multiple-phased permits from each of those agencies.

Based on the actions it has taken during the Reporting Period, GenOn is in full compliance with this requirement.

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<sup>1</sup> Veolia was previously known as Trigen-Boston Energy Corp.



b. *Within 10 days after the Order Date, commence the process to obtain all Governmental Approvals to procure, install at the Station and operate the ACC and the BPST in order to meet the 2010 NPDES Permit limits. This shall include such detailed engineering of the ACC and BPST as necessary to support the permit applications and to provide supplementary data requested by the permitting and approval authorities.*

GenOn commenced the process for obtaining all necessary Governmental Approvals, including the necessary engineering, within 10 days of the Order Date. GenOn's activities during the 10 days following the Order Date are described in its first Quarterly Progress Report dated April 29, 2011.

As discussed above in Section B.1.a, Veolia's decision to abandon the Longfellow Route and choose the Craigie Dam Route required certain modifications to the Orders as issued. GenOn immediately notified the USEPA and MassDEP on December 16, 2011 of these circumstances and initiated a process for discussing necessary modifications. As discussed in Section B.1.a, the process for modifying the Orders has been completed.

Based on its past actions, GenOn is in full compliance with this requirement.

c. *Beginning 10 days after the Order Date until all Governmental Approvals are issued, provide timely and complete responses to all requests from any permitting and approval authority issuing a Governmental Approval.*

In July 2012, GenOn was asked by MassDEP to participate in a meeting with Veolia and USEPA to assist MassDEP in understanding the status of the permitting of the Steam Line. The meeting occurred on July 26, 2012.

GenOn did not receive any requests from any other permitting or approval authority requiring a response during the Reporting Period.

Based on the actions it has taken during the Reporting Period, GenOn is in full compliance with this requirement.

d. *Within 15 days after the Order Date, initiate requests for pre-application meetings with all permitting and approval authorities issuing any of the Governmental Approvals.*

GenOn's compliance with this requirement was described in its First Quarterly Progress Report, dated April 29, 2011, at pages 3-4, and in Section B.1.b above with respect to necessary modifications to USEPA's Order and MassDEP's Order.

Based on its past actions, GenOn is in full compliance with this requirement.

e. *Within 90 days after the Order Date, submit applications for all Governmental Approvals. Notwithstanding the foregoing, the Permittee or its contractor may apply for any necessary building permits later than 90 days after the Order Date, so long as such application is submitted by the later of (i) 30 days after the issuance to third party vendors supplying the ACC and the BPST of notices to proceed with the fabrication of the ACC and BPST ("Notices to Proceed") or (ii) 5 days after the Permittee or its contractor have obtained all signatures of local government officials that are necessary for the Permittee or its contractor to apply for such building permits.*

The ninetieth day after the Order Date was Sunday May 1, 2011. GenOn made all necessary applications for all known Government Approvals before that date. GenOn's applications are described in its Second Quarterly Progress Report.

The prerequisite for the requirement to apply for any necessary building permits has not occurred. GenOn intends to apply for any necessary building permit in accordance with the timeline described in the Orders. As noted in previous Quarterly Progress Reports, GenOn had been in communication with the City of Cambridge, and specifically the City of Cambridge Inspectional Services Department, regarding the application of the City's zoning ordinance to the proposed changes at Kendall since approximately a year prior to the dates of the Orders and, because of the City of Cambridge's position on the matter, decided to apply for a zoning variance under a reservation of its rights. On July 27, 2012, GenOn filed an application for a zoning variance ("Application") with the Board of Zoning Appeals ("BZA"). The BZA held a duly noticed hearing on the Application on September 13, 2012. The Application was approved unanimously by the BZA subject only to GenOn following through on its pre-existing commitments to the City of Cambridge regarding post-construction noise compliance testing. GenOn expects to receive a written decision from the BZA which should then become final upon expiration of the appeal period during the next Reporting Period.

Based on its past actions and actions taken during this Reporting Period, GenOn is in full compliance with this requirement.

f. *Issue the Notices to Proceed within 10 days after the later of the following has occurred: (i) all Governmental Approvals, other than any necessary building permits, have been obtained, are no longer subject to appeal, and are effective, and (ii) December 31, 2013. In negotiating agreement(s) with the ACC and/or BPST vendor(s), the Permittee shall request that all components of the ACC and BPST be delivered to the Station within nineteen months of the issuance of the applicable Notice to Proceed.*

The language of this subsection f. reflects the change in conditions precedent for GenOn's issuance of Notices to Proceed as approved by USEPA and MassDEP during this Reporting Period. As the prerequisites in this provision have not occurred, GenOn has not issued the Notices to Proceed.

g. *Within 7 days after receiving written notice from Trigen that the Steam Line is available for commercial operation, provide a copy of such notice to [USEPA and MassDEP].*

GenOn has not received such written notice from Trigen, so no action is yet required of GenOn under this provision.

h. *No later than four months before the anticipated delivery date for the BPST, commence construction of any on-site modifications to the Station necessary to accommodate the ACC and/or BPST.*

The prerequisite for this requirement has not yet occurred, so no action is yet required of GenOn.

i. *No later than twelve months before the anticipated delivery date for the BPST, request that ISO New England authorize (i) a planned outage for removal of Steam Turbine #3 as soon after the anticipated delivery date for the BPST as ISO New England will authorize, and (ii) a planned whole station outage for tie-in of the BPST and ACC to start within 12 weeks after the*



*completion of the outage for removal of Steam Turbine #3. The Permittee shall provide a copy of such requests to [USEPA and MassDEP] within 7 days after submitting them to ISO New England.*

The prerequisite for this requirement has not yet occurred, so no action is yet required of GenOn. However, GenOn provides the following updates on two developments previously reported on with respect to GenOn's obligations to ISO New England ("ISO-NE") which may affect GenOn's ability to perform under the existing or modified Orders.

(i) GenOn's Capacity Supply Obligations: June 1, 2014 through May 31, 2015

GenOn continues to have an obligation to provide the full amount of capacity associated with the existing capabilities of Steam Units #1, #2, and #3 during the FCA #5 Period (June 1, 2014 through May 31, 2015). Were it not to provide the amount of capacity that cleared, it could incur very significant financial penalties under the existing ISO-NE Tariff ("Tariff") approved by the Federal Energy Regulatory Commission. Although the Tariff allows a generation owner to substitute other capacity to fulfill its obligations, ISO-NE must find that the substitute capacity is sufficiently equivalent in terms of its ability to meet the reliability needs of the subregion where Kendall is located. As previously reported, GenOn believes it would be very difficult to find adequate substitute capacity that would be acceptable to ISO-NE because of the paucity of capacity available in that subregion as demonstrated by the outcomes of FCA #5 and, more recently, of FCA #6.

(ii) GenOn's Capacity Supply Obligations: June 1, 2015 through May 31, 2016

As reported in the prior quarterly report, GenOn tried to delist 27 MW at Kendall Station during the conduct of FCA#6 by ISO-NE. However, GenOn was informed by ISO-NE on April 3, 2012 that the delist request had been refused based on local reliability needs. On June 13, 2012, GenOn submitted a filing to the Federal Energy Regulatory Commission ("FERC") in Docket No. ER12-1678-000 asking: (1) that the tariff provisions that resulted in the denial of GenOn's delist request in FCA#6 be changed prospectively and (2) that FERC ask ISO-NE to notify GenOn as soon as possible of any change in ISO-NE's decision to reject GenOn's delist bid. In response to GenOn's concerns, on August 3, 2012 ISO-NE and NEPOOL jointly filed in Docket ER12-2392-000 tariff changes that, beginning in FCA#7, will allow a resource owner to unilaterally permanently retire a portion of a capacity resource rather than continuing to require that a resource can only unilaterally permanently retire entirely or not at all. FERC approved these partial capacity resource retirement provisions on September 21, 2012, thereby providing GenOn a clear path toward being able to remove the capacity required in order to reflect the restrictions imposed by the terms of Kendall's NPDES Permit and the Orders.

The status of ISO-NE's rejection of GenOn's FCA#6 delist bid has not changed. In its September 21, 2012 Order, FERC did "encourage ISO-NE to inform the GenOn Parties of any acceptance of the Kendall de-list bid earlier than the June 1, 2014 deadlines, if possible." However, to date, ISO-NE has not provided any update on or change to its prior decision to reject GenOn's FCA#6 delist bid.

j. *Within 7 days after receiving written notices from ISO New England authorizing the planned outages described in Section IV. Paragraph 1.i., provide a copy of such notices to [USEPA and MassDEP].*

The prerequisite for this requirement has not yet occurred, so no action is yet required of GenOn.

k. *Within 7 days after all of the components of the ACC have been delivered to the Station, notify [USEPA and MassDEP] of such delivery.*

The prerequisite for this requirement has not yet occurred, so no action is yet required of GenOn.

l. *Within 7 days after all of the components of the BPST have been delivered to the Station, notify [USEPA and MassDEP] of such delivery.*

The prerequisite for this requirement has not yet occurred, so no action is yet required of GenOn.

m. *By the latest of (i) 60 days after the Steam Line Completion Date, (ii) 90 days after all components of the BPST and of the ACC have been delivered to the Station, and (iii) 60 days after commencement of the planned whole station outage referenced in Section. IV. Paragraph 1.i.(i), complete construction, installation, and tie-in of the ACC and BPST.*

The prerequisites for this requirement have not yet occurred, so no action is yet required of GenOn.

n. *By 30 days after completion of the construction, installation and tie-in of the ACC and BPST, comply with all permit limits of the 2010 NPDES Permit.*

The prerequisites for this requirement have not yet occurred, so no action is yet required of GenOn.

2. Section IV. Paragraph 2 of the USEPA Order and Section V. Paragraph 2 of the MassDEP Order

*Where any compliance obligation requires the Permittee to obtain Governmental Approvals, the Permittee shall submit timely and complete applications and responses to requests for information and take all other actions reasonably necessary to obtain all such Governmental Approvals. Permittee may seek relief under the Force Majeure provisions below for any delay in the performance of any obligation imposed by this Order resulting from a failure to obtain, or a delay in obtaining, one or more Governmental Approvals required to fulfill such obligation, if the Permittee has submitted timely and complete applications and has taken all other actions reasonably necessary to obtain all such Governmental Approvals.*

Based on the information provided in Sections B(1)(c), (d) and (e) above, GenOn is in full compliance with this requirement.

3. Section IV. Paragraph 3 of the EPA Order and Section V. Paragraph 3 of the MassDEP Order

*In the interim period from the Effective Date until the date for full permit compliance specified in Section IV. Paragraph 1.n. [of the USEPA Order and Section V paragraph 1(n) of the MassDEP Order], the Permittee shall comply with the following effluent standards and limits:*

a. *With respect to heat, non-contact cooling water flow, oxygen demand, the Station's cooling water intake structures, and temperature and water quality monitoring, the Permittee*



*shall comply with the interim effluent limitations, monitoring requirements, and other conditions contained in Attachment A.*

GenOn has submitted monthly discharge monitoring reports (“DMRs”) as required by the NPDES Permit and the Orders. Information concerning specific monitoring parameters is included in the DMRs. To date, all discharges and monitoring parameters have been within the interim limits established in the Orders.

Based on the actions it has taken during the Reporting Period, GenOn is in full compliance with this requirement.

b. *The Permittee shall also comply with all effluent limitations, monitoring requirements and other conditions specified in the 2010 NPDES Permit for the parameters not addressed by Attachment A.*

GenOn has submitted monthly DMRs as required by the NPDES Permit and the Orders. Information concerning specific monitoring parameters is included in the DMRs. To date, all discharges and monitoring parameters have been within the limits established in the Permit.

Based on the actions it has taken during the Reporting Period, GenOn is in full compliance with this requirement.


C. Activities expected to be undertaken during the next reporting period to achieve compliance with the Orders.

GenOn expects to undertake the following activities during the period from October 1, 2012 to December 31, 2012:

1. Monitor the completion of the approval process by the Cambridge Board of Zoning Appeals until approval of GenOn’s variance application is final;
2. Continue to participate in monthly update telephone conferences with MassDEP, USEPA and Veolia to follow Veolia’s progress with respect to permitting and construction of the Steam Line;
3. Finalize the new Kendall Station interconnection agreement with ISO-NE and NSTAR;
4. Continue to seek ISO-NE acceptance of GenOn’s delist bid in FCA #6;
5. Prepare to implement GenOn’s strategy for qualifying to participate in FCA#7 in order to timely delist the capacity needed to operate under the restrictions imposed by the terms of Kendall’s NPDES Permit and the Orders;
6. Continue to submit monthly DMRs as required by the NPDES Permit and the Orders;
7. Work on technical sections of the ACC and BPST request for proposals;
8. Work with Veolia integrating the design requirements of the Steam Line to Kendall’s operation.

If you have any questions or require any additional information, please contact me at (617) 529-3874 or shawn.konary@genon.com.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Shawn Konary". The signature is fluid and cursive, with the first name "Shawn" and last name "Konary" clearly distinguishable.

Shawn Konary  
Director, Environmental Policy and Regulatory Affairs

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